



With no legislative appropriation, other alternatives are in sight

ERP investment options emerge

Business and public sector managers realize how well-designed Enterprise Resource Planning systems create long-term (even short-term) returns on investment dollars. Dollars

invested in ERP system components can return many times that amount in cost savings in the form of labor, time and material (can you say "stacks of paper?") reductions.

That's why proceeding toward an ERP system start-up in Iowa, even in the face of state budget constraints, makes good business sense. In fact, with the current revenue squeeze facing the State, the core justification of ERP—greater savings, efficiency and productivity through streamlined processes and powerful technology—creates an even stronger imperative for action.

With the close of the 2001 legislative session, appropriation for the first phase of a state ERP system was not approved. Still, other funding options will be considered. They include:

- Using a lease/purchase approach to obtain ERP e-procurement and budgeting systems. E-procurement and budget redesign are two fundamental ERP applications that can generate relatively quick payback and appear to be a logical starting point for ERP conversion.
- Using direct savings from a new e-procurement system to help fund other ERP applications in payroll/human resources/benefits and accounting.
- Creating partnerships with system vendors to defray purchase costs in exchange for developmental opportunities sought by vendors. This would allow a company to custom develop and help implement a system for Iowa that could subsequently be marketed to other governments. In return, the state may get a significant price break.
- Explore interdepartment charge-backs for documents processed, reports issued and related information distribution services generated through ERP system usage. Stay tuned to ERP*N* as developments continue on the financing front.



ERP and Accountable Government Act

It's all about *performance*

ERP systems are not really about fast new computers, state-of-the-art software or Web-enabled magic. They are about enabling dollars and resources to perform as intended—perhaps even better than intended—by eliminating process barriers. This means greater and more convenient access to information, ease of operation, elimination of repetitiveness and redundancy in workflow and business procedures.

This focus on resource performance is at the heart of the Accountable Government Act. The Iowa General Assembly passed the Accountable Government Act during the 2001 legislative session. The Act builds on the good work and strengths of state departments and employees by including best management practices that reflect Iowa needs and values and foster more objective decision-making.

Provisions under the Act include:

- Strategic Planning
- Performance Measurement
- Results-Oriented budgeting
- Performance Reporting
- Performance Audits
- Performance Contracting
- Return on Investment



So where does ERP fit in all of this? Well, all those bullet points that contain the word “performance” will be directly impacted by ERP. Information systems will include data fields for performance objectives. Those fields would then be linked to performance results fields, eventually showing how well those results compared against objectives. The same comparisons would be used for contractor performance. Reports and audits of those objectives/results comparisons could be easily produced. All could be tied in with Return-on-Investment criteria.

How this really works--hypothetically

ERP and accountability all sound great in theory, you say, but show me how it might actually work. Here's one simple, hypothetical example (*for illustration purposes, the following scenario is completely fictitious and is not taken from any existing plan or document*):

The purchasing division in General Services, through its strategic planning, arrives at a performance objective; to replace 30% of all conventional paper-based purchasing with electronic-based purchasing within the first two years of using a new e-procurement system. By achieving this objective, DGS believes it will—through less paper forms processing, ordering from an electronic catalog, less “wait time” spent on paper mailings, quicker vendor turnaround, savings from conversion to electronic payment and processing and other system innovations—achieve a return on investment of \$X (just imagine an impressive number!).

As this planning period comes to completion, the ERP system reporting feature shows that 35% of purchases were made electronically. Cost savings, as calculated from the earlier return-on-investment analysis, is shown to be \$X+.

With this performance measurement now in hand, the Purchasing people can prepare next year's budget to include expanding electronic purchasing, and confidently show that doing so will achieve a quantifiable performance outcome and a return on investment of at least \$X. An audit of this performance is relatively simple because the purchasing system is entirely compatible with the Department of Management's budget system, and performance results all reside electronically within.

And, next year's strategic plan can take on even more innovation and imagination since proven, data-driven performance outcomes can provide stronger, more reliable guidance and take a lot of guesswork and subjectivity out of plans and decisions.

In addition, lawmakers and policy decision makers can use the performance data and strategic plan rationale to more objectively draft and support legislative proposals.



HOGWIRED IN ARKANSAS

Arkansas is in the midst of an ambitious project to move from isolated information silos to one integrated, statewide ERP system.

By Drew Robb

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Like many states, Arkansas' IT department has come to rely on mainframe-based systems to store, process and report data from different agencies and departments. The hodge-podge of separate structures that evolved, however, was never designed to share information.

Every year since 1995, Arkansas' annual audit has called for an overhaul of IT infrastructure. Why? Most information exists in isolated silos, accessible only by a few IT professionals within individual sections or departments. The human resources system, for example, couldn't talk to payroll or property management applications. When reports were needed, requests had to be made to IT with a wait of 24 hours or more before the reports appeared. Since information wasn't integrated, if the requested report revealed a potential deficiency in a related area, another request had to go to IT, creating a further delay while the new document was generated.

"The data is so stovepiped that you can't find it," said Ron Hopper, assistant administrator of the Arkansas Department of Finance and Administration's Office of Accounting. "Worse, not everyone elected to use parts of the old systems, so they didn't even contain complete data. Our systems simply didn't produce the information that many departments needed to perform their duties," said Hopper.

As a result, the 82nd Legislature of Arkansas authorized \$30 million to fund the Arkansas Administration Statewide

Information System (AASIS), an ambitious enterprise resource planning (ERP) project. Designed to unify the state's fragmented information systems, AASIS will make it easy for users to access databases throughout government. Executives will be able to drill down to the data they need, crossing departmental boundaries as necessary, from their desktops.

Overhauling Infrastructure

The state appointed Hopper as AASIS project manager. Next came the establishment of a team to carry out the task. Hopper first pulled 21 employees from the Department of Finance and Administration to work on AASIS. After that, a further 66 personnel were squeezed from the ranks of various state agencies, most of them on a full-time basis. To cope with the scope of the implementation, Arkansas established an organizational structure consisting of a steering committee, a coordinating council, a project management office and separate sections to deal with financials, human resources and payroll, change management, training and technical functions.

Due to a lack of experience with ERP, Arkansas supplemented its ranks with consultants from SAP, Deloitte & Touche and BrightStar. They contributed expertise in implementation, software configuration, training, change management and troubleshooting.

Subsequent personnel strain contributed



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to the decision to take a "big bang" approach to implementation rather than the gradual migration many experts recommend.

Hopper's view is that two huge systems running at the same time makes for double work. Therefore, instead of organizing a series of pilots and a gradual phase-in of ERP module by module, Arkansas plans to go directly from testing to implementation. "In April of 2001, we are going to start running various business processes, like payroll, in parallel," he said. "We will compare both systems and test each process before we go live with ERP across the boards on July 2."

Arkansas is going for broke in July, but it has spent many months in planning and design to ensure there are no glitches on D-Day.

Bickering Prevention

AASIS representatives have met with dozens of state agencies to get their input and views on the system. This has resulted in more than 1,200 requirements that have been taken into account in project design. In Hopper's opinion, listening to government departments to this degree is creating major buy-in. "I believe we have succeeded in making it their system, not ours," he said.

To further ease the transition, a training and deployment team has already been mobilized to educate users, explain the changes and prepare books and checklists for training purposes. Further, a shared vision, engendered during the early days of the project, has the governor's office, government departments and the Legislature cooperating on AASIS. Consequently, the implementation has, so far, avoided the interdepartmental bickering that can plague any large-scale IT initiative.

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Now that AASIS is about to enter its later stages, Hopper can reflect on the lessons learned thus far. "There are certainly some things I would have done differently," he said. "Not enough front-end planning came back to haunt us in some areas." His advice: Talk to other states that have already implemented ERP in order to learn from their mistakes.

Hopefully, Hopper is following his own advice and is aware of a misjudgment made by the County of Sacramento in its post-implementation phase. Shortly after the launch, the county dissolved the project team due to the pressure mounted from agencies for the swift return of personnel. This left only 20 people in the post-implementation unit.

"We fought a losing battle trying to keep them for more than a month after go-live," said Sacramento County CIO Stephen Ferguson. "An overemphasis on going live, coupled with a lack of post-implementation planning, resulted in us being short-handed at such a critical period."

The months immediately following launch will be even more critical for Arkansas as "go-live" only represents some of the functionality of the system. After July, Arkansas will still have plenty of work to do implementing the remainder of its materials management, human resources and finance applications.

"We are not introducing the full functionality in July," said Hopper. "There is just so much you can do with limited time and personnel."

With several areas itching for the return of key people, it remains to be seen whether Arkansas applies enough communication in order to not only launch AASIS, but also to follow through with sufficient post-implementation strategies to make this a truly successful ERP installation.



Visit the ERP Web site!

For the latest information on ERP, please visit the ERP Web site at:

<http://www.state.ia.us/government/its/ERP/index.htm>

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